



Learning Objectives

- Explain what an accounting information system (AIS) is and describe the basic functions it performs.
- Discuss why studying the design and management of an AIS is important.

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Learning Objectives

- Explain the role played by the AIS in a company's value chain and discuss ways that the AIS can add value to a business.
- Describe and contrast the basic strategies and strategic positions that a business can adopt.

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What Is An AIS?

- A system is a set of two or more interrelated components that interact to achieve a goal.
- Systems are almost always composed of smaller subsystems, each performing a specific function supportive of the larger system.

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What is an AIS?

- An AIS is an information system
 - which identifies, collects, processes, and communicates economic information about an entity to a wide variety of people regardless of the technology
 - captures and records the financial effects of the firm's transactions
 - distributes transaction information to operations personnel to coordinate many key tasks

What is an AIS?

- An Accounting Information System is a unified structure that employs physical resources and components to transform economic data into accounting information for external and internal users.

What Is An AIS?

- An accounting information system (AIS) consists of:
 - People
 - Procedures
 - Data
 - Software
 - Information technology infrastructure

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What Is An AIS?

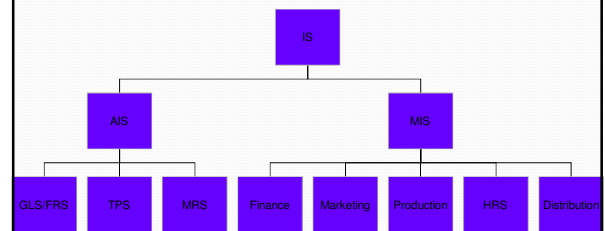
- What important functions does the AIS perform in an organization?
 - It collects and stores data about activities and transactions.
 - It processes data into information that is useful for making decisions.
 - It provides adequate controls to safeguard the organization's assets.

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AIS vs. MIS

- **Accounting Information Systems (AISs)** process financial (e.g., sale of goods) and nonfinancial transactions (e.g., addition of newly approved vendor) that directly affect the processing of financial transactions.
- **Management Information Systems (MISs)** process nonfinancial transactions that are not normally processed by traditional AISs (e.g., tracking customer complaints).

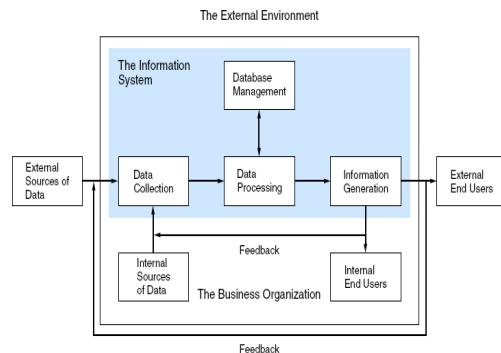
AIS vs. MIS?



AIS Subsystems

- **Transaction processing system (TPS)**
 - supports daily business operations
- **General Ledger/ Financial Reporting System (GL/FRS)**
 - produces financial statements and reports
- **Management Reporting System (MRS)**
 - produces special-purpose reports for internal use

The General AIS Model



Data Sources

- **Data sources** are financial transactions that enter the information system from internal and external sources.
 - *External financial transactions* are the most common source of data for most organizations.
 - E.g., sale of goods and services, purchase of inventory, receipt of cash, and disbursement of cash (including payroll)

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Data Sources

- *Internal financial transactions* involve the exchange or movement of resources within the organization.
- E.g., movement of raw materials into work-in-process (WIP), application of labor and overhead to WIP, transfer of WIP into finished goods inventory, and depreciation of equipment

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Transforming the Data into Information

Functions for transforming data into information according to the general AIS model:

1. data Collection
2. data Processing
3. data Management
4. information Generation

1. Data Collection

- Capturing transaction data
- Recording data onto forms
- Validating and editing the data



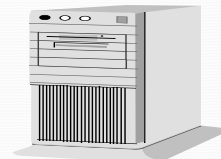
2. Data Processing

- Classifying
- Transcribing
- Sorting
- Batching
- Merging
- Calculating
- Summarizing
- Comparing



3. Data Management

- Storing
- Retrieving
- Deleting



4. Information Generation

- Compiling
- Arranging
- Formatting
- Presenting



Organizational Structure

- The structure of an organization helps to allocate
 - responsibility
 - authority
 - accountability
- Segmenting by business function is a very common method of organizing.

Functional Areas

- Inventory/Materials Management
 - purchasing, receiving and stores
- Production
 - production planning, quality control, and maintenance
- Marketing
- Distribution
- Personnel
- Finance
- Accounting
- Computer Services

Accounting Independence

- Information reliability requires **accounting independence**:
 - Accounting activities must be separate and independent of the functional areas maintaining resources.
 - Accounting supports these functions with information but does not actively participate.
 - Decisions-makers in these functions require that such vital information be supplied by an independent source to ensure its integrity.

WHY STUDY ACCOUNTING INFORMATION SYSTEMS?

- It's fundamental to accounting.
- Accounting is an information-providing activity, so accountants need to understand:
 - How the system that provides that information is designed, implemented, and used.
 - How financial information is reported.
 - How information is used to make decisions.

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Why Study AIS?

- To understand how the accounting system works.
 - How to collect data about an organization's activities and transactions
 - How to transform that data into information that management can use to run the organization
 - How to ensure the availability, reliability, and accuracy of that information

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Why Study AIS?

- Auditors need to understand the systems that are used to produce a company's financial statements.
- Tax professionals need to understand enough about the client's AIS to be confident that the information used for tax planning and compliance work is complete and accurate.

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Why Study AIS?

- The AIS course complements other systems courses.
- Other systems courses focus on design and implementation of information systems, databases, expert systems, and telecommunications.
- AIS courses focus on accountability and control.

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